



California Fair Political Practices Commission

April 28, 1989

Steven A. Reidich
Attorney at Law
King, Shapiro, Cohen and Young
3100 Breckinridge Boulevard,
Building 1200
Duluth, Georgia 30136

Re: Your Request for Advice
Our File No. A-89-191

Dear Mr. Reidich:

You have requested confirmation of telephone advice I provided to you regarding the campaign disclosure provisions of the Political Reform Act (the "Act").^{1/} Your letters of March 21, 1989 and April 11, 1989 provide additional information.

You are authorized to seek advice on the campaign filing obligations of A.L. Williams and Associates, Inc. (the "Williams Agency"), The A.L. Williams California Political Action Committee (the "Committee"), and Massachusetts Indemnity and Life Insurance Company ("MILICO"). MILICO is a wholly owned subsidiary of the A.L. Williams Corporation. The Williams Agency is related to the A.L. Williams Corporation only through a marketing agreement.

Your first question involves a plan to have political contributions for the Committee collected by MILICO. Insurance agents who have an independent contractual relationship with Williams Agency to market insurance underwritten by MILICO will direct that funds to be used for contributions to the Committee shall be withheld from their monthly commission checks which are paid by MILICO. A single contribution check will be written to the Committee by MILICO, and MILICO will charge an administrative fee of six cents, which is actual fair market cost, for each monthly withholding transaction. The campaign disclosure statement by the Committee will identify MILICO as an intermediary and each individual insurance agent contributor also will be identified as may be required by Section 84211.

^{1/}Government Code Sections 81000-91015. All statutory references are to the Government Code unless otherwise indicated. Commission regulations appear at 2 California Code of Regulations Section 18000, et seq. All references to regulations are to Title 2, Division 6 of the California Code of Regulations.

Reidich, Steven A.
April 28, 1989
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I advised you that MILICO would not be considered to be a contributor because MILICO would be charging the insurance agents the actual cost of administering the collection and transmission of their campaign contributions to the Committee. However, MILICO would be considered to be an "intermediary" because it would collect and deliver the agents' campaign contributions. (Sections 84302 and 84302.5.) MILICO must be disclosed as an intermediary on the Committee's campaign disclosure statements. (Section 84302.)

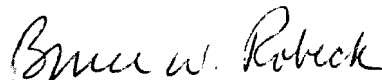
Your other question related to the name to be used for the Committee. The Williams Agency and the insurance agents have formed the Committee and will set policies for soliciting contributions for the Committee and for making expenditures of Committee funds. The Williams Agency will provide administrative services for the Committee. Williams Agency markets insurance, securities and mortgages.

You suggested that the Committee's name, which is now "The A.L. Williams California Political Action Committee," should be changed to "The A.L. Williams Insurance and Financial Services Political Action Committee." I agree that the new name which you suggest more accurately reflects the sponsorship of Williams Agency and of independent contractors (agents) who market insurance underwritten by MILICO. (See Section 82048.7 and Regulation 18419, copy enclosed.) I also concur that MILICO does not qualify as a sponsor of the Committee because the insurance agents for whom MILICO withholds the agents' contributions are not employees, officers or members of MILICO. (Section 82048.7(b)(2).)

I trust that this letter has responded to your request for advice. If you have further questions, call me at (916) 322-5662.

Sincerely,

Kathryn E. Donovan
General Counsel



By: Bruce W. Robeck
Political Reform Consultant

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MAUREEN M. MIDDLETON
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MELANIE J. MITCHELL
JOHN S. WATTS, III (GA AND FL)
STEVEN A. REIDICH
PATRICIA ANNE HALL (GA AND IN)

March 21, 1989

TELECOPIER
404 923-4239

Federal Express
Airbill No. 2776250621

State of California Fair Political
Practices Commission
428 J Street, Suite 800
Sacramento, CA 95814

Attn: Bruce Robeck

Dear Mr. Robeck:

As we discussed in our March 21, 1989 telephone conversation, I represent A.L. Williams & Associates, Inc. ("Williams") which is a general agency. Williams, Inc. is the sponsor of A.L. Williams California Political Action Committee ("Committee"), a California general purpose recipient committee.

The purpose of this letter is to confirm my understanding of the Fair Political Practices Act as applied to a proposed commission withdrawal system to be used to gather contributions for the Committee.

Individuals who are residents of California and independent contractors of Williams, Inc. will request the insurance company which they represent (which is not Williams) to withhold a certain sum from the individual's monthly commission check each month. The insurance company will then aggregate all such individual contributions into one check and forward that check to the Committee. The insurance company will be listed as an intermediary on all disclosure statements of the Committee. All disclosure statements will list each individual contributor and all other required information.

Mr. Bruce Robeck
March 21, 1989
Page 2

In addition to the amount withheld to be forwarded to the committee, the insurance company will withhold and keep for itself, six cents each month from each individual who has money withheld. We have learned that this amount is the fair market value of the services to be provided by the insurance company. The purpose of the insurance company deducting and keeping the six cents for itself is to insure that there will be no in kind contribution of services from the insurance company to the Committee.

In our telephone conversation, we also discussed whether the six cents withheld and retained by the insurance company for processing the individuals' contributions would be a contribution from the individual to the Committee and consequently must be disclosed on the Committee's filings. You concluded, that the six cents per transaction withheld and retained by the insurance company would not be a contribution by the individual to the Committee which must be disclosed on the Committee's filings.

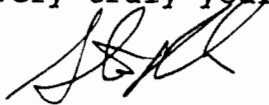
We also discussed whether the name of the Committee must be changed as the Committee may, after implementation of the commission withholding system, have more than one sponsor. Section 84102 of the Political Form Act of 1974 requires that the Statement of Organization shall include the name of the Committee's sponsor. "Whenever a Committee has more than one sponsor and the sponsors are members of an industry or other identifiable group, a term identifying that industry or group shall be included in the name of the Committee." Cal.Gen Laws Ann. Title 9 Section 84102(a). Williams, which is a general agency marketing insurance, securities and mortgages is currently listed as Committee's sponsor. Regulations of the Fair Political Practices Commission Section 18419(a)(2)(B) provide that a sponsor of a Committee means a "person [who] collects contributions for the Committee by use of payroll deductions or dues from its members, officers or employees...." Id. After implementation of the commission withholding system, it would appear that the insurance company would be a "sponsor." Accordingly, I believe the Committee should amend its Statement of Organization to change the name of the Committee to "A.L. Williams Insurance and Financial Services California Political Action Committee" or another similar name which identifies not only A.L. Williams as the sponsor but also the industry which is providing (for fair market value) the "payroll deduction" services.

Mr. Bruck Robeck
March 21, 1989
Page 3

I would greatly appreciate if you would confirm that my understanding of the Fair Political Practices Act is correct so that I may advise my client that it may proceed with implementation of the commission withholding system. I have enclosed a pre-paid, self-addressed federal express envelope for you to use in responding.

Thank you very much for your help and the time you took in our telephone conversation.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'SAR', written over the closing 'yours,'.

Steven A. Reidich

SAR/pr

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April 11, 1989

VIA FEDERAL EXPRESS

Mr. Bruce W. Robeck
State of California Fair Political
Practices Commission
428 J Street, Suite 800
Sacramento, California 95814


Dear Mr. Robeck:

As we discussed in our April 10, 1989 telephone conversation, I am submitting a new letter for your consideration with respect to whether or not Massachusetts Indemnity and Life Insurance Company need be listed as a sponsor of The A. L. Williams California Political Action Committee.

Thank you for the opportunity to submit the additional letter.

Please call me if you need any further information.

Very truly yours,



Steven A. Reidich

SAR/lj

Enclosure

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April 11, 1989

VIA FEDERAL EXPRESS

Mr. Bruce W. Robeck
State of California Fair Political
Practice Commission
428 J. Street, Suite 800
Sacramento, California 95814

Dear Mr. Robeck:

This firm represents A. L. Williams & Associates, Inc., (the "Williams Agency"), The A. L. Williams California Political Action Committee (the "Committee"), and Massachusetts Indemnity and Life Insurance Company ("MILICO"). This firm has authorization from each of the foregoing entities to request an opinion regarding the issues set forth below.

FACTS

The Williams Agency is a general agency which markets insurance, securities and mortgages. The Williams Agency maintains an independent contractual relationship with individual California residents ("Agents") which relationship allows the Agents to use the name "A. L. Williams" in marketing products for the Williams Agency. The Agents also maintain an independent contractual relationship with MILICO, which underwrites the insurance the Agents market. MILICO is a wholly owned subsidiary of The A. L. Williams Corporation, a publicly traded company. The A. L. Williams Corporation and the Williams Agency are related only through a fifty year marketing agreement, as the Williams Agency is a privately held company. The Agents are paid commissions for the sale of insurance by MILICO.

The Williams Agency and the Agents, have formed the Committee, a general purpose recipient committee. The Williams Agency will provide administrative services for the Committee, and, in conjunction with the Agents, set policies for soliciting contributions and making expenditures of Committee funds.

Mr. Bruce W. Robeck
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In order to provide a mechanism for Agents who wish to contribute a small amount of money on a regular monthly basis to the Committee ("Contributors") the Williams Agency has requested that MILICO provide Contributors with a commission withdrawal system ("System"). Under the System, each Contributor would assign to the Committee a fixed sum, to be deducted each month from Contributor's monthly commission. MILICO will send one check each month to the Committee with a list of the names of each Contributor and their contribution to the Committee. MILICO will deduct and retain for itself at least six cents each month as fair market value for the services MILICO provides to the Contributor in forwarding Contributor's contributions to the Committee. MILICO will also deduct a one time setup fee to bring each Contributor on line into the System. MILICO will always deduct such funds one month in advance of the month for which MILICO services are purchased from the Contributors.

ISSUES

- I. Whether the Committee is a "sponsored committee" with respect to MILICO.
- II. Whether the purpose of the Political Reform Act of 1974 (the "Act") requires that only the Williams Agency, and not MILICO, be listed as the Committee's sponsor.

DISCUSSION

- I. Whether the Committee is a "sponsored committee" with respect to MILICO.

The Committee is a sponsored committee with respect to the Williams Agency only, not with respect to MILICO.

The Act provides, in material part:

- (b) A person sponsors a committee if any of the following apply:
 - (1) The committee receives all or nearly all of its contributions from the person or its members, officers, employees, or shareholders.
 - (2) The person collects contributions for the committee by use of payroll deductions or dues from its members, officers or employees.
 - (3) The person alone or in combination with other organizations, provides all or nearly all of the administrative services for the committee.

Mr. Bruce W. Robeck
Page Three
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- (4) The person, alone or in combination with other organizations, sets the policies for soliciting contributions or making expenditures of committee funds. §82048.7(b)

With respect to (b)(1), neither the Williams Agency or MILICO should be considered the Committee's sponsor. The Committee will receive nearly all its contributions from the Agents who are neither MILICO, the Williams Agency or members, officers, employees or shareholders of either of such entities. Corporations organized for profit do not have members; they do have stockholders. Both MILICO and the Williams Agency are organized, among other things for profit and neither, therefore has any members. No Agents are officers of either MILICO or the Williams Agency. Agents are independent contractors with respect to each of these entities, and therefore are employees of neither. Finally, no Agent is a stockholder in the privately held Williams Agency, and, since MILICO's sole stockholder is The A. L. Williams Corporation ("ALWC"), no agent is a stockholder in MILICO. ALWC is a publicly held company with over 67 million shares of common stock issued and outstanding, and according to ALWC's Form 10-K for the fiscal year ending December 31, 1988, no agent owns 5% or more of such shares of common stock. We have reason to estimate, further, that any Agent holdings of such common stock are significantly less than the 5% 10-K reporting threshold.

With respect to (b)(2), as discussed above, neither MILICO nor the Williams Agency collect contributions from members, employees or shareholders. Moreover, the contributions being forwarded to the Committee by MILICO are not collected through the use of "payroll deductions." MILICO's independent contractors do not receive a payroll from MILICO. The independent contractors receive commissions for the sale of insurance, not the proceeds of payroll.

With respect to (b)(3), the Williams Agency, not MILICO, is a "sponsor" of the Committee. The Williams Agency will provide the Committee with noncandidate funds for administrative purposes. MILICO is solely a vendor of services with respect to the System. The only reason MILICO is being requested to implement the System is that MILICO is the only entity which can provide the services necessary for the System. Moreover, MILICO is charging at least fair market value for its services. Should it be decided that MILICO is a sponsor because it permits its services to be purchased by individuals for the benefit of the Committee, so too then should any vendor which provides administrative services for a fee to a committee be held to be the committee's sponsor.

Mr. Bruce W. Robeck
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With respect to (b)(4), the Williams Agency, not MILICO, is a "sponsor" of the Committee. The Williams Agency may establish guidelines for contributions to the Committee. The Williams Agency, with input from a Contributors committee will establish guidelines regarding expenditures of Committee funds. MILICO will have absolutely no input regarding how the Committee solicits or expends funds.

II. Whether the purpose of the Act requires that only the Williams Agency, and not MILICO be listed as the Committee's sponsor.

One purpose of the Act requires that only the Williams Agency, and not MILICO, be listed as the Committee's sponsor.

One of the purposes of the Act is to fully and truthfully inform the voters of receipts and expenditures in election campaigns. § 81002(a). Inherent in such purpose is the proposition that the voters should not be misled as to the sponsor of a committee. Listing MILICO as the Committee's sponsor will confuse the public as to whom actually contributes to and sets policies for the Committee. MILICO has not and never will contribute funds or services to the Committee. MILICO has not and never will set policies regarding contributions to or expenditures from the Committee.

The Williams Agency will be the only person, other than individuals, to contribute funds or services to the Committee. The Williams Agency is the only person, in conjunction with Contributors, to set policies regarding contributions to and expenditures from the Committee. The public will recognize the association of Contributors with the Williams Agency. To require MILICO to be listed as sponsor would confuse the public regarding the persons who are the impetus for, and responsible for, the actions of the Committee.

Additionally, MILICO's role in providing the System for fair market value to the Contributors will be disclosed to the public. MILICO will always be listed as an "intermediary" on all Committee filings which require such disclosure.


CONCLUSION

For the above reasons, A. L. Williams & Associates, Inc., the A. L. Williams California Political Action Committee and Massachusetts Indemnity and Life Insurance Company respectfully

Mr. Bruce W. Robeck
Page Five
April 10, 1989

request that the Commission find that only A. L. Williams & Associates, Inc. be a sponsor of the A. L. Williams Political Action Committee.

Very truly yours,



Steven A. Reidich

SAR/lj



California Fair Political Practices Commission

April 14, 1989

Steven A. Reidich
King, Shapiro, Cohen & Young
3100 Breckinridge Boulevard
Building 1200
Duluth, GA 30136

Re: Letter No. 89-221

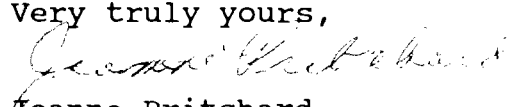
Dear Mr. Reidich:

Your letter requesting advice under the Political Reform Act was received on April 12, 1989 by the Fair Political Practices Commission. If you have any questions about your advice request, you may contact me directly at (916) 322-5662.

We try to answer all advice requests promptly. Therefore, unless your request poses particularly complex legal questions, or more information is needed, you should expect a response within 21 working days if your request seeks formal written advice. If more information is needed, the person assigned to prepare a response to your request will contact you shortly to advise you as to the information needed. If your request is for informal assistance, we will answer it as quickly as we can. (See Commission Regulation 18329 (2 Cal. Code of Regs. Sec. 18329).)

You also should be aware that your letter and our response are public records which may be disclosed to the public upon receipt of a proper request for disclosure.

Very truly yours,


Jeanne Pritchard
Chief Technical Assistance
and Analysis Division

JP:plh

89-191

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March 21, 1989

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428 J Street, Suite 800
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Attn: Bruce Robeck

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The purpose of this letter is to confirm my understanding of the Fair Political Practices Act as applied to a proposed commission withdrawal system to be used to gather contributions for the Committee.

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Mr. Bruce Robeck
March 21, 1989
Page 2

In addition to the amount withheld to be forwarded to the committee, the insurance company will withhold and keep for itself, six cents each month from each individual who has money withheld. We have learned that this amount is the fair market value of the services to be provided by the insurance company. The purpose of the insurance company deducting and keeping the six cents for itself is to insure that there will be no in kind contribution of services from the insurance company to the Committee.

In our telephone conversation, we also discussed whether the six cents withheld and retained by the insurance company for processing the individuals' contributions would be a contribution from the individual to the Committee and consequently must be disclosed on the Committee's filings. You concluded, that the six cents per transaction withheld and retained by the insurance company would not be a contribution by the individual to the Committee which must be disclosed on the Committee's filings.

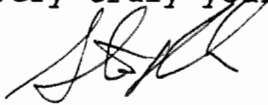
We also discussed whether the name of the Committee must be changed as the Committee may, after implementation of the commission withholding system, have more than one sponsor. Section 84102 of the Political Form Act of 1974 requires that the Statement of Organization shall include the name of the Committee's sponsor. "Whenever a Committee has more than one sponsor and the sponsors are members of an industry or other identifiable group, a term identifying that industry or group shall be included in the name of the Committee." Cal.Gen Laws Ann. Title 9 Section 84102(a). Williams, which is a general agency marketing insurance, securities and mortgages is currently listed as Committee's sponsor. Regulations of the Fair Political Practices Commission Section 18419(a)(2)(B) provide that a sponsor of a Committee means a "person [who] collects contributions for the Committee by use of payroll deductions or dues from its members, officers or employees...." Id. After implementation of the commission withholding system, it would appear that the insurance company would be a "sponsor." Accordingly, I believe the Committee should amend its Statement of Organization to change the name of the Committee to "A.L. Williams Insurance and Financial Services California Political Action Committee" or another similar name which identifies not only A.L. Williams as the sponsor but also the industry which is providing (for fair market value) the "payroll deduction" services.

Mr. Bruck Robeck
March 21, 1989
Page 3

I would greatly appreciate if you would confirm that my understanding of the Fair Political Practices Act is correct so that I may advise my client that it may proceed with implementation of the commission withholding system. I have enclosed a pre-paid, self-addressed federal express envelope for you to use in responding.

Thank you very much for your help and the time you took in our telephone conversation.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'S. Reidich', written over the closing 'yours,'.

Steven A. Reidich

SAR/pr



California Fair Political Practices Commission

April 4, 1989

Steven A. Reidich
King, Shapiro, Cohen & Young
3100 Breckinridge Boulevard, Bldg. 1200
Duluth, GA 30136

Re: Letter No. 89-191

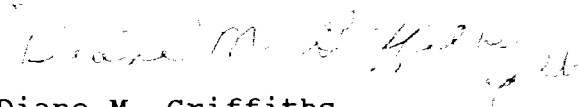
Dear Mr. Reidich:

We received your letter requesting confirmation of advice under the Political Reform Act on March 22, 1989. Your letter has been assigned to our Technical Assistance and Analysis Division for response. If you have any questions, you may contact that division directly at (916) 322-5662.

If the letter is appropriate for confirmation without further analysis, we will attempt to expedite our response. A confirming response will be released after it has gone through our approval process. If the letter is not appropriate for this treatment, the staff person assigned to prepare the response will contact you shortly to advise you. In such cases, the normal analysis, review and approval process will be followed.

You should be aware that your letter and our response are public records which may be disclosed to any interested person upon receipt of a proper request for disclosure.

Sincerely,


Diane M. Griffiths
General Counsel

DMG:plh:confadv1